

# Strategic Marketing Planning

“Marketing for Competitive Advantage”

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# Course Objectives:

- ❖ Establish Common Marketing Language
- ❖ Understand Marketing Planning Process
- ❖ Learn to Use Marketing Planning Tools for Competitive Advantage
- ❖ Set Marketing Objectives and Strategies
- ❖ Apply the Marketing Mix for Resource Allocation
- ❖ Develop an “Executable Marketing Plan”

# Why Market Plan?

- Manage the 4 corporate objectives
  - maximize revenue
  - maximize profit
  - maximize ROI
  - minimize costs

## Survey of top Executives: who didn't

- Lost opportunities for profits
- Unrealistic objectives
- Pricing confusion
- Wasted promotional expenditure
- Inter functional strife
- Management frustration
- Vulnerability to competitive threat

# Resistance to Marketing Planning

- Do not understand the nature and purpose
- Responsibility and authority not clearly defined
- Lack of know-how
- Fear of “loss of control” by making data public
- Good market intelligence not available

# Marketing Myopia: HBR: Theodore Levitt, 1960

- Myopia; tunnel vision or inability to see your surroundings
- “To continue growing, companies must ascertain and act on their customers needs and desires, not bank on the presumptive longevity of their products”

# Strategic Planning Levels

- Corporate Strategy: macro level
  - central planning spanning the entire organization
- Business Unit Strategy: micro level
  - product or market specific planning
- Tactical: nano level
  - sales or distributor relationship

# 4 Stages of Strategic Planning

- Objectives:
  - the end result sought
- Policies:
  - the rules that guide the selection of strategies
- Strategies:
  - fundamental means of reaching the objective
- Action Plans:
  - specific tasks/tactics required to achieve result



# Key Marketing Concepts/Tools

- ❖ Marketing Mix: 4 "P's"
- ❖ Product Life Cycle
- ❖ Segmentation & Targeting
- ❖ Product Positioning
- ❖ Strategy vs. Tactics
- ❖ Market Share and Relative Market Share

# Marketing Mix : the 4 P's

tools used to create differential advantage

## ❖ Product:

- core product, product surround, service

## ❖ Price:

- market pricing, margin and cost pricing

## ❖ Promotion:

- advertising, branding,

## ❖ Place:

- distribution, channel to market

# Product Life Cycle (PLC)

- ❖ “The periodic table” of marketing
  - a framework for grouping products into families for easier predictions of reaction to various stimuli.
  - Provides the basis for product and resource planning

# 4 PLC Phases

- ❖ Introduction
- ❖ Growth
- ❖ Maturity
- ❖ Decline

# Market Segmentation

- ❖ Dividing a market into distinct groups of buyers who merit separate product offerings and or marketing mixes.

# Basis for Segmentation

- ❖ Organizational Characteristics
  - industry type, size of firm, geography
- ❖ Product Characteristics
  - end use, specification
- ❖ Buyer Characteristics
  - distribution channel, purchasing frequency, buyer personality

# Basis for Segmentation cont.

- ❖ Demographic Segmentation
  - Age, gender, income, social...
- ❖ Benefit Segmentation
  - end user benefit sought

# Market Segment Criteria

- ❖ Must be “Big Enough”
- ❖ Must be “Reachable”
- ❖ Must be “Different”



# Target Marketing

- ❖ Selection of a specific market segment as the objective of an action /s intended to create an effect.

# Product Positioning

- ❖ Selecting and matching a product offering and marketing mix to an identified target market.
- ❖ Product Positioning Statement
  - Target market specific
  - Incorporates a benefit statement

# Product Positioning Statement

- ❖ Focused and Single Minded
  - One product feature/benefit at a time
- ❖ Consistent with Marketing Objective
- ❖ Target Market Driven

# Strategy vs. Tactics

- ❖ The science and art of planning and conducting a campaign for objective in its large scale or long term aspects.
- ❖ The decisions that are taken during the execution of a specific plan over a relatively short term.

# Strategy:

- ❖ Derived from Greek “art of the general”
- ❖ Marketing Strategy:
  - driven from product / SBU management
  - focused on short term (3-5 years)
  - market share objectives, product mix, gross margin objectives, resource allocation

# Tactics

- ❖ “Execution of the strategic plan.”
- ❖ Marketing Tactic:
  - driven by the “doer/s”
  - action specific
  - monthly or quarterly

# Market Share/Relative Market Share

- ❖ Importance of Market Share
  - key to profitability
  - market share is linear with ROI: WHY?
    - » economies of scale
    - » market power
- ❖ RMS: Your market share relative to your largest competitor.
  - ratio based: 10X, 1X, 0.1X

End of Session 1

Home work



# Key Marketing Planning Tools

- ❖ Competitive Forces Analysis
- ❖ Marketing Audit (SWOT)
  - External Audit
  - Internal Audit
- ❖ Product Life Cycle Analysis

# Competitive Forces (Michael Porter)

“ Nature and degree of competition hinges on 5 forces “

- ❖ Threat of new entrants
- ❖ Bargaining power of customers
- ❖ Bargaining power of suppliers
- ❖ Threat of substitute products
- ❖ Jockeying amongst competitors

# Competitive Forces Outlined

- ❖ Threat of Entry: 6 barriers to entry
  - economies of scale, differentiation, capital requirements, cost disadvantages, access to distribution channels, government policy
- ❖ Power of Buyers & Suppliers:
  - volume, concentration, ability to integrate
- ❖ Jockeying for Position: intensity results from
  - # & size of competitors, high exit barriers, over capacity, foreign competition

# Strategy vs. Competitive Forces

- ❖ “Effective competitive strategy takes offensive and defensive action in order to create a defensible position against the five competitive forces.” (Porter)
  - Positioning
  - Influencing the Balance
  - Exploiting Change

# Key Marketing Planning Tools

- ✓ Competitive Forces Analysis
- ❖ Marketing Audit (SWOT)
  - External Audit
  - Internal Audit
- ❖ Product Life Cycle Analysis

# The Marketing Audit

- ❖ Internal and external review of the marketing environment and marketing operations:
  - Customer audit
  - Market audit
  - Product audit

# Key Decisions from Audit

- ❖ Maintain
- ❖ Harvest
- ❖ Exit
- ❖ Enter

# External Audit

- ❖ Generally concerned with uncontrollable market variables
  - economy, technology, political, regulatory
- ❖ Opportunities relative to above
- ❖ Threats relative to above



# Internal Audit

- ❖ Generally concerned with controllable variables
  - sales, market share, profit margins, costs, distribution, promotion
- ❖ Company Strengths vs. Competition
- ❖ Company Weaknesses vs. Competition

# Review Key Decisions from Audit

- Maintain
- Harvest
- Exit
- Enter

# Product Life Cycle Analysis

- Plot your industry or product category
- Plot your current product situation:
  - determine current life-cycle phase
- Explain inflection points
  - key industry, technology events
- Project future sales & profit performance
- Develop marketing mix strategies

# Marketing Mix from PLC Analysis

## ■ Price Considerations

- Introduction: skimming or penetration
- Growth: price to capture market share
- Maturity: price to protect position
- Decline: price to maintain profit

# End of Session 2

Home work

# SWOT Analysis: key marketing audit tool

- ❖ Strengths
- ❖ Weaknesses
- ❖ Opportunities
- ❖ Threats

# SWOT Planning Matrix

- ❖ Facilitates the marketing audit and the selection of marketing objectives.
  - Product specific
  - Market Segment specific
  - CSF dependent

# Critical Success Factor

- An influence that is of sufficient importance to a product /market objective that non attainment will inhibit the achievement of the objective:
- List 5 key success factors



# SWOT Planning Matrix: Task

- Define Business
- List Assumptions for the Planning Period
- Opportunities & Threats: list 5 each
  - based on external audit, 5 forces analysis
- List 5 CSF's & weight for importance (100%)
- Strengths & Weaknesses Analysis
  - score yourself vs. competitors for each CSF (out of 10)

# Action Item

- Prepare 5 CSF's for your business
- Complete SWOT Planning Matrix

# Key Marketing Planning Tools

- 📄 Competitive Forces Analysis
- 📄 Marketing Audit
- 📄 Product Life Cycle Analysis
- Portfolio Analysis

# Portfolio Analysis

- Boston Consulting Group Matrix
  - cash flow management
- Directional Policy Matrix
  - entry & exit decisions

# BCG Matrix

- Views products according to cash usage and cash generation along two dimensions
  - Market growth
  - Relative market share
- Results in 4 product categories (quadrants):

Star

Question Mark

Cash Cow

Dog

# Directional Policy Matrix

- Extension of the BCG matrix for complex market situations.
- Facilitates entry & exit decisions based on:
  - industry / market attractiveness
  - business / company strengths

# End of Session 3

Home work

# Pricing Strategy

- Maximize current profit
- Maximize revenue
- Maximize sales growth
- Market Skimming
- Quality leadership



# Price Elasticity

- Elastic Demand

- » demand changes considerably with price change

- Inelastic Demand

- » demand changes insignificantly with price change

# Contributors to Price Elasticity

- # of substitute products
- buyers slow to change buying habits
- buyers view quality & technology as justification for price

# PLC Pricing Strategies

## ■ Price Considerations

- Introduction: skimming or penetration
- Growth: price to capture market share
- Maturity: price to protect position
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# Marketing Resource Allocation Theory

- The Profit Equation
- The Sales Equation
- Sales Response Function
- Marketing Mix Optimization
- Profit Optimization

# The Profit Equation

- Profit (  $Z$  ) = (  $R$  ) Revenue - (  $C$  ) costs
  - Revenue (  $R$  ) = Price (  $P$  ) x Unit Sales (  $Q$  )
  - Costs (  $C$  ) =  $cQ + F + M$ 
    - »  $cQ$  = variable unit costs,  $F$  = fixed costs,  $M$  = marketing costs
  
- $Z = Q ( P - c ) - F - M$

# The Sales Equation

- Sales Volume (  $Q$  ) =  $f$  (  $P, c, A, S, D,$  )
  - $P$  = price
  - $c$  = variable costs
  - $A$  = advertising
  - $S$  = sales promotion
  - $D$  = sales force (distribution channel)

# Sales Response Functions

- Forecasts the likely sales volume associated with different levels of marketing mix element, holding others constant.
- Eg. Price elasticity curve

# Typical Response Curves

- Linear: sales volume grows linear with marketing expenditure
- Concave: sales volume increasing at a decreasing rate, eg. Increase in sales force
- S shaped: increasing at an increasing rate then at a decreasing rate, eg. Increasing levels of advertising



# Estimating Response Functions

- Statistical Method
- Experimental Method
- Judgement Method
- Industry Analysis Method

# Profit Optimization

- Follows determination of sales response functions:
- Profit  $(Z) = Q(P - c) - F - M$
- Profit optimized for selected marketing mix sets  $(M)$ .

# Sales Response Worksheet

## Marketing Mix Worksheet

Mix No.	Price	Advertising	Promotion	Unit Sales	Profit

$$Z = Q ( (P-c) - F-A-S )$$

$$Z = \underline{\hspace{10em}}$$

# Channel Management Decisions

- Major Channel Alternatives
  - direct sales force
  - manufacturer's representative
  - distributor
- Evaluation of channel alternatives
  - economic
  - control
  - adaptability

# Marketing Channels over PLC

- Introduction: direct sales force
- Growth: direct or representative
- Maturity: representative or distributor
- Decline: distributor or direct

# Sales Force Decisions

- Territorial Structured
- Market Structured
- Product Structured

# Sales Force as Competitive Tool

- Identify opportunities
- Create competitive advantage
- Market intelligence
- Identify problems / barriers
- Forecasting

# Sales Planning Decisions

- Channel Management
- Sales Force Design
- Territory Planning
- Strategic Account Planning



End of Session 4

Home work

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# Elements of the Marketing Plan

- Situation Analysis
- Problems and Opportunities: swot
- Marketing Objectives
- Marketing Strategy: marketing mix
- Action Plan (tactics)
- Financial Summary
- Control and Review

# Situation Analysis

- Sales History
  - Market Profile
  - Competitive Environment
  - Company Position
- 
- Tools: Audit, SWOT

# Problems and Opportunities

- Opportunities form situation analysis
  - new product opportunities
  - new markets
- Overcoming existing problems
- Tools: SWOT, portfolio analysis

# Marketing Objectives

- Define primary mission of the plan and primary direction:
  - what business are we in?
- Provide specific and realistic objectives
  - increase market share of product X by 6% within 12 months by: .
  - ..
  - Specific and quantitative sales and profit objectives
- Summarize all expected accomplishments for plan period

# Marketing Strategy

- Marketing Strategies are the connecting link between objectives and actions
- State overall strategic direction
  - cost reduction, geographic expansion, operational changes, resource allocation
- Develop 4 P's statements to achieve

# Action Plan : tactics

- Implementation Steps:
  - detailed action steps by which strategy will be implemented.
  - time tables
  - responsibilities assigned
  - specific resource allocation



# Financial Summary

- Profit and Loss Statements
  - by geographic region
  - by product line
- Sales Forecasts
  - by product or product category
  - by sales implementation unit
- Gap Analysis
  - support gap between budget & forecast
  - recycle through audit if needed

# Control and Review

- How execution will be monitored
  - feed back information needed
  - frequency of reviews
- Role of functional support
  - accounting
  - production

# End of Session 5

Home work

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